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18th February 1952

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Meeting of Three Foreign Ministers  
and German Federal Chancellor

PROPOSED REDRAFT OF PARAGRAPH 9(b) OF THE  
COUNCIL DEPUTIES REPORT ON EUROPEAN DEFENCE  
COMMUNITY/NORTH ATLANTIC TREATY ORGANIZATION  
RELATIONS

.....

(b) Councils: On questions affecting the common objectives of the two Organizations there would be reciprocal consultation between the North Atlantic Council and the Council of the European Defence Community and, whenever either Council decides that it is desirable, combined meetings of the two Councils. Whenever any of the parties to the North Atlantic Treaty or any of the parties to the Treaty establishing the European Defence Community consider that the territorial integrity, political independence or security of any of them or the continued existence or integrity of the North Atlantic Treaty Organization or the European Defence Community is threatened, a combined meeting will be summoned at the request of that Party in order to consider the measures necessary to meet the situation.

OSD REVIEW COMPLETED. NO OBJECTION TO  
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14

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SECRET19 February 1952MOG/5/1

Smith

Report to the Three Foreign Ministers  
from the Official Group

RESTITUTION

(a) Obligation of Federal Republic to satisfy restitution judgments against the former Reich

At the meeting of officials it was agreed that instructions should be sent to the High Commissioners to ensure that the rate of conversion applicable to claims against the Reich under the Restitution Laws should be that laid down by the Currency Reform Law. This would normally be 10 RM : 1 DM. A very considerable reduction in the cost of meeting awards against the Reich in the British Zone and in Berlin should result, and the Germans should be satisfied at the reduced figure for the total estimate of the value of claims against the Reich.

(b) Composition of Supreme Restitution Court

The effect of informing the Federal Chancellor of the steps to be taken in regard to conversion should be to enable him to agree to the proposal for an Allied majority on the Supreme Restitution Court. Failing this, Dr. Adenauer's offer should be accepted (namely, that each panel of the Supreme Restitution Court should be composed of equal numbers of German and Allied judges, with a neutral Chairman).

19 February 1952MOG/8/1

Report to the Three Foreign Ministers  
from the Official Group

EXEMPTION FROM EQUALIZATION OF BURDENS  
(LASTENAUSGLEICH) LEVY

The meeting of officials considered this problem, and agreed that the High Commissioners should put the following to Dr. Adenauer in extension of his offer of a six-year exemption:-

- (i) the qualifying date for UN nationality, in the case of natural persons, should be the date of the contractual settlement;
- (ii) exemption should be granted to victims of Nazi persecution in respect of property restituted to them;
- (iii) German companies with 75% UN shareholdings should be exempt, to the extent of the UN shareholdings. If 75% is not acceptable to Dr. Adenauer, he might be asked to give an administrative instruction under which "wholly UN-owned companies" should be interpreted as 90% or over. (This interpretation was incorporated in an administrative instruction from the Federal Finance Minister to the Finance Ministers of the Länder, dated 3rd July, 1950, on the administration of the immediate aid tax).

If Dr. Adenauer is not willing to concede these additional points, in whole or in part, the High Commissioners should have discretion to accept Dr. Adenauer's offer, namely 6-year exemption for those persons already exempted under the Immediate Aid Ordinance.

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19 February 1952

MOG/6/1

Report to the Three Foreign Ministers  
from the Official Group

COMPENSATION FOR GERMAN EXTERNAL ASSETS TAKEN  
IN SAFEHAVEN COUNTRIES

The Germans are prepared to pay compensation with respect to assets taken in all countries in accordance with "financial capacity and the Basic Law". This in fact means only partial compensation, which, in the case of certain Safehaven countries, would be less than that provided for in the existing agreements to which the three Powers are parties.

The Chancellor has proposed that the Federal Government be permitted to negotiate with the Safehaven countries involved, with the Allies participating in the negotiations.

It is recommended that this proposal be accepted, with the modification that the Allies should have the right, but not the obligation, to participate in the negotiations.

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744528

19th February, 1952

Meeting of the Three Foreign Ministers  
and the German Federal Chancellor

SECURITY CONTROLS

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A. Agreed text of letter to be sent by the German Federal Chancellor  
to Governments

Having regard to the existing international tension and to the fact that the Federal Republic is in a strategically exposed position in the sense of Article 4(d) of the Treaty establishing the European Defense Community, the Federal Government will not consider it a case of discrimination that the European Defense Commissariat in issuing licenses for the production of such armaments as are enumerated in List 2 of the Treaty will not place any orders with plants in the Federal Republic except in conformity with a general instruction of the Council of Ministers'. This, however, is based on the supposition that the German contingents in the European Defense Community will not be treated on a less favorable basis in respect of their supply with armaments of the above types which are necessary to fulfil their assigned tasks in the defense of Europe than the contingents of other member states of the European Defense Community, irrespective of the sources from which they will be supplied.

With regard to research in the fields of the above armaments, the Federal Government is likewise prepared to prevent such research except as it may be requested by the European Defense Community. This does not apply, of course, to scientific research directed towards medical, industrial and other non-military developments in pure and practical science.

B. Agreed Text of letter to be sent by the German Federal Chancellor  
to the British and United States Governments

Upon ratification of the Treaty establishing the E.D.C. the content of the Treaty will become German domestic law. This accordingly applies likewise in regard to the provisions concerning the limitation of armaments production in the member states of the E.D.C. The prohibitions laid down also have effect as regards the United Kingdom and the United States.

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MEETING OF FOREIGN MINISTERS OF THE UNITED KINGDOM,  
 UNITED STATES OF AMERICA, FRANCE, AND THE CHANCELLOR OF  
 THE GERMAN FEDERAL REPUBLIC

But

The Foreign Ministers of the United States, France and the United Kingdom, and the Chancellor of the German Federal Republic, met for discussions in the Foreign Office on 18th and 19th February. They reviewed the position reached in the parallel negotiations in Paris and in Bonn, now approaching a successful conclusion, for the establishment of the European Defence Community and for the creation of a new relationship between the three Western Powers and the Federal Republic of Germany, based on a series of freely negotiated Conventions.

The Foreign Ministers and the Chancellor are well pleased with the results of their work. They reached agreement on outstanding issues arising from the negotiations in Bonn. The question of Germany's financial contribution to European defence is dealt with below. On the difficult problem concerning the future regulation and distribution in the interests of Western defence of arms production in states of the European Defence Community they have reached certain conclusions and provided for a series of meetings which they are confident will produce speedy results. They reached agreement on methods for dealing with the question of war criminals now detained in the Federal Republic.

They reviewed the report made by the Executive Bureau of the Temporary Council Committee of the North Atlantic Treaty Organisation, on the financial contribution of the Federal Republic to Western defence. The Ministers agreed that this report, which reached them on 16th February, should be published tonight. There is every prospect that an agreed decision on the total financial contribution of the Federal Republic to defence will be reached by the end of the current week. Negotiations on other matters arising out of this report, including the distribution of the Federal Republic's contribution, will proceed at once in Bonn between representatives of the German Federal Republic and of the Three Powers.

The Four Ministers welcome the progress made towards the conclusion of the Treaty for the establishment of the European Defence Community which will provide a solid foundation for the agreements to be concluded between the three Western Powers and the Federal Republic of Germany. This Treaty and the agreements will constitute a single structure designed to bring about the association of the Federal Republic with the free world and to solidify the defence of Western Europe. The Four Ministers discussed the relationship between the European Defence Community and the North Atlantic Treaty Organisation and agreed on certain recommendations which will be made by the Three Foreign Ministers to the North Atlantic Council for settling this question. It will be the concern of the Four Governments, together with the other interested Governments, to ensure the preservation and the progressive strengthening of the European Defence Community which, as a part of the wider Atlantic community, creates a partnership for peace.

The Four Ministers are agreed that continuing efforts should be made to accomplish the unification of Germany through democratic and peaceful means.

The Four Ministers are convinced that their meeting has removed the obstacles which have hitherto delayed the conclusions of the negotiations, and has thus marked a decisive advance in the cause of peace.

19th February 1952

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MEETING OF THREE FOREIGN MINISTERS  
GERMAN FINANCIAL CONTRIBUTION TO DEFENSE  
INSTRUCTION TO ALLIED HIGH COMMISSION

At their meeting in London on 17th February, 1952, the Foreign Ministers took the following action on the questions raised by the High Commissioners regarding the German financial contribution to defense in their report of 12th February, 1952: the answers to questions 1, 5 and 7 are contained in a paper adopted by the Foreign Ministers as a basis for their discussion of this subject with Dr. Adenauer (MOG.4 Final of 16th February, copy attached).

2. Question 2

The uses to which the contribution should be devoted in 1952/53 (i.e. the twelve months period from the date of entry into force of the contract) should be finally negotiated at Bonn and written into the contract. The sum to be requested for the support of the Allied forces should not exceed the amount of DM 6.8 billion submitted by the various national forces. All non-military items should be eliminated from the Allied costs, and the Allied authorities should use their best efforts to effect the maximum possible economies in these costs. Particular attention should be paid to those costs which are politically objectionable in Germany.

3. The High Commissioners should seek to obtain agreement as soon as possible with the Federal Government on the amount to be provided for the support of the Allied forces in 1952/53. They should make a progress report to the Ministers so that if necessary the position can be again examined by them before their departure from Lisbon.

4. Question 3

The Ministers agree in principle that payment of the costs of non-E.D.C. forces, while remaining an obligation of the Federal Republic, may be effected through the agency of E.D.C. It should be understood that the E.D.C. will not consider the amounts of the payments to be made or purposes for which they will be used (which will be determined by the contractual arrangements) but will merely act as a transmitting agency. The consent of the other countries participating in the E.D.C. will have to be obtained.

5. Questions 4 and 6

After the first twelve months period, the amount of the Federal Republic's contribution for the support of forces on assignment in Germany of non-E.D.C. nations will be determined by negotiations in which the E.D.C., Germany, and the non-E.D.C. nations will participate. The amount will be distributed among non-EDC forces on the basis of their relative troop strengths, taking into account the variance in cost of the several branches of military service such as air, ground and their logistic support, and any other relevant military factors.

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16

S E C R E T

16 February 1952

MOG/4 Final

Report to the Three Foreign Ministers  
from the Official GroupGERMAN FINANCIAL CONTRIBUTION TO DEFENSE

1. The Official Group has considered the questions on the above subject contained in the report of the Allied High Commission on contractual negotiations. They consider that it would be valuable if the Foreign Ministers took the opportunity of the meeting with Dr. Adenauer to deal with three of the questions referred to. These are;

- (a) German acceptance of the advice of the Three Wise Men on the total German contribution in 1952/53;
- (b) Method of fixing the German total contribution in subsequent years;
- (c) The need for special continuing arrangements for the material support of the Allied forces in Germany, although these may differ from arrangements in the European Defense Community;

The Foreign Ministers could also usefully urge Dr. Adenauer to speed up the negotiations in Bonn.

2. It is suggested that the Foreign Ministers might speak along the following lines:

(a) Total German Contribution for Defense in 1952/53

At the request of Dr. Adenauer, the Allied High Commission, with the agreement of the three Governments, was able to arrange for German capacity to make a contribution for 1952/53 to be examined by the Three Wise Men. The purpose of this was to ensure that the German capacity was considered in accordance with the same standards, which took political as well as economic factors into account, as were applied to the defense efforts of NATO countries. The Federal Government was given the opportunity of presenting a written statement on its position, and two hearings of the German Ministers concerned were held by the Three Wise Men. Their report has now been received and Dr. Adenauer will have received a copy of it. This report is in the form of recommendations to the High Commission and three Governments on the one hand and to the Federal Government on the other. The Foreign Ministers assume that as this procedure was undertaken at the request of Dr. Adenauer he, on behalf of the Federal Government, is prepared to accept the recommendations. It is hoped that he will be in a position to provide immediate confirmation of this. If he does so, then the three Governments would also be prepared to accept the recommendations.

Dr. Adenauer may bring up the question of whether Federal expenditure in support of the economy of Berlin should not count as expenditure on defense and so against the total figure recommended by the Three Wise Men. If he does so it is suggested that the Foreign Ministers should point out to him that the question of Berlin has been dealt with in the Three Wise Men's report. To the extent that Federal expenditure on Berlin is devoted to defense uses, recognized as such under rules which have been accepted by all NATO countries, then it would count; the principal example of this is Occupation Costs. On the other hand, the very substantial support given by the Federal Government to Berlin to

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bolster up its economy would not constitute a defense expenditure under NATO criteria and should not, therefore, count against the German total. The Three Wise Men, when deciding on this final figure, took into account the special burden borne by the Federal Republic in helping Berlin.

(b) Method of fixing German total contribution in subsequent years

The Three Foreign Ministers have been impressed with the value of using the machinery of the Wise Men to assist in arriving at the figure for the German total contribution in 1952/53 which was adopted at Dr. Adenauer's suggestion and believe that the four Governments should contemplate a similar procedure in subsequent years, using whatever machinery is set up in NATO to replace the Wise Men. The exact method by which this would be achieved could be settled at the appropriate time, but there might be advantage in having some general provision written into the Convention. It would have to be made clear that this does not in any way prejudice the question of the Federal Republic's entry into NATO.

(c) Material support for the Allied Forces in Germany

The Foreign Ministers might point out to Dr. Adenauer that there are, and are likely to remain, considerable Allied forces in Germany, and this fact will undoubtedly necessitate continuance of special arrangements to provide for their material support, covering such matters as supply, transport, communications and housing. These special arrangements will not necessarily be the same as those which will be worked out in the European Defense Community nor which exist when forces of one NATO country are stationed in another, which vary from place to place and involve much smaller forces. It is essential that our forces in Germany should not only be sure of obtaining the facilities they need but should have security over a period so that they can make their administrative plans on a durable basis. They trust that Dr. Adenauer recognizes the circumstances which make these special facilities necessary and will have this in mind when considering the proposals in the draft Convention which the High Commission has communicated to the German representatives in Bonn.

(d) Negotiations in Bonn

The Foreign Ministers might conclude by pointing out that there are numerous other questions which remain to be settled in the Convention on the financial arrangements for defense, on which proposals have been made to the Federal Republic by the Allied negotiators in Bonn. They hope that now that the recommendations of the Three Wise Men have been received, it will be possible for the negotiators in Bonn to make rapid progress in agreeing on the Convention.

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